



COUNTY OF LOS ANGELES DEPARTMENT OF CONSUMER AFFAIRS

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PASTOR HERRERA, JR.
DIRECTOR

April 1, 2002

Board Agenda Item #88 4-02-02

To: Each Supervisor

From: Pastor Herrera, Jr.
Director of Consumer Affairs *Pastor*

Re: **LA VIÑA DEVELOPMENT - ALTADENA - REPORT #2**

Board Motion

On March 12, 2002, your Board requested that the Department of Consumer Affairs and the Office of County Counsel investigate the foreclosure of 26 homes in the La Viña development in Altadena and determine the rights and recourse of the buyers who have paid deposits on homes.

On March 25, 2002, we issued a written report and made a formal presentation at the Board meeting held on March 26, 2002.

Background

Approximately 26 families have opened escrow for the purchase of homes in phase three (3) of the La Viña project in Altadena. The buyers have each deposited \$10,000 into escrow. Construction was halted in November of 2001 due to serious financial difficulties encountered by the developer. Additionally, many of the prospective home buyers paid for upgrades such as flooring and counter tops.

The Developer, Compass Homes/La Viña Estates LLC, had two construction loans secured against the 26 homes: a first trust deed in the amount of \$10 million held by Prism Financial Group/Prism Mortgage and a second trust deed for \$4 million held by Lehman-Ali La Viña LLC.

Our Department has interviewed nearly all of the potential home buyers and has visited the La Vina development to inspect the subject properties. As coordinator of the Real Estate Fraud Task Force, we have also met with representatives of the Sheriff's Department, the Department of Real Estate, the Auditor Controller, the District Attorney's Office and County Counsel to evaluate the situation.

The Trustee Sale

On March 28, 2002, we attended the trustee sale conducted as the result of the foreclosure initiated by Lehman-Ali La Viña LLC. The outcome of the trustee sale was that ownership of the development was awarded to Lehman-Ali La Viña LLC.

Offer to Potential Home Buyers by Lehman-Ali La Viña LLC

During the week of March 18, 2002, Lehman-Ali La Viña LLC sent a letter to the 26 potential home buyers stating their intention to obtain ownership of the development, complete construction of the homes, and obtain necessary approvals from the California Department of Real Estate to sell the homes. Their letter also stated that they intend: (1) to refund or credit monies paid by the potential home buyers for upgrades; (2) to give priority in selling the homes to the 26 current home buyers; (3) to sell the homes to the prospective home buyers at current market prices.

Monies held in escrow are not at issue, since the potential home buyers are free to cancel their escrows and have their deposits returned to them.

Next Steps

We will continue to meet with members of the Real Estate Fraud Task Force which is reviewing the apparent failure of Compass homes to place upgrade monies into escrow as required by law.

We will also continue discussions with representatives of Lehman-Ali La Viña LLC and invite them to meet with us concerning their plans now that they have secured formal ownership of the development. It is likely that it will take several months for Lehman-Ali La Viña LLC to complete construction of the homes and obtain approvals from the California Department of Real Estate to offer the homes for sale.

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c: The Honorable Steve Cooley, Los Angeles County District Attorney
 Each Chief Deputy
 Each Department Board Liaison
 Lloyd W. Pellman, County Counsel
 David E. Janssen, Chief Administrative Officer
 Violet Varona-Lukens, Executive Officer